

Imperial Logistics Limited
(Incorporated in the Republic of South Africa)
Registration number: 1946/021048/06
ISIN: ZAE000067211
Share code: IPL
("Imperial" or "Company" or "Group")

Pre Closed Period Briefing to Annual Investor Day and Trading Statement

Introduction

As published on 25 February 2020, Imperial's half year revenue from continuing operations grew by 1% to R25.4 billion and operating profit increased by 9% to R1.6 billion for the 6 months to 31 December 2019. Restated for the disposal of the European Shipping operation, revenue from continuing operations for the half year to the end of December 2019 grew by 5% to R23.1 billion and operating profit increased by 10% to R1.5 billion. Restated for the disposal of the European Shipping operation, revenue from continuing operations for the 12 months to the end of June 2019 was R44.0 billion and operating profit was R2.1 billion (pre-IFRS 16).

Imperial's management team will today hold its Annual Investor Day for the investment community. Due to the restrictions imposed by the COVID-19 pandemic, the event will be held live via a webcast <https://78449.themediaframe.com/links/imperial200602.html>

The following update will be provided during the event and the presentation in support of the event will be available on the company's website www.imperiallogistics.com at 09h00 CAT today.

OPERATING PERFORMANCE AND THE IMPACT OF COVID-19

As shareholders are aware, the COVID-19 pandemic continues to impact lives and businesses across the globe, and these trying times come with a high degree of uncertainty, fluidity and unexpected challenges. With Imperial's operations in over 32 countries, many of our businesses were and continue to be severely impacted by restrictive measures imposed since the beginning of March 2020 in these countries of operation due to the virus.

Imperial is essential to the sourcing, warehousing, transportation and distribution of medication and other medical supplies, food, basic goods, and other essential products and services in our markets of operation. Many of our businesses therefore remain in operation during various stages of lockdown. However, only segments of these businesses are generating revenue at this time, while we continue to incur overhead costs in ensuring we can deliver our services.

Imperial's performance for the 9 months to 31 March 2020 was unsatisfactory, growing revenue but reducing operating profit from continuing operations (excluding the European shipping business) compared to the prior comparative period. The benefits of new contract gains, significant cost cutting, portfolio rationalisation and other restructuring initiatives undertaken in F2019 are more than offset by increasingly challenging macro-economic conditions, exacerbated by COVID-19 lockdowns and restrictions, resulting in lower volumes and margin pressure across the business.

Despite the uncertainty and challenging trading conditions, we are still securing new business and retaining c.80% of our contracts across the business. New business revenue of R4.9 billion (annualised) was gained in the 9 months to the end of March 2020, with a strong pipeline of new business opportunities. Furthermore, as lockdown restrictions are easing in our key

markets, activity levels and volumes are increasing.

South Africa

Approximately 70% of this business is currently in operation. This has improved from c.55% in late March and April as activity levels have picked up with the easing of lockdown restrictions. Key sectors like tobacco remain closed, and fuel volumes are depressed due to lack of demand. Performance is anticipated to remain at current levels until lockdown restrictions in South Africa are lifted further.

For the 9 months to the end of March 2020, this business recorded double-digit revenue growth but operating profit declined due to COVID-19 and related once-off costs. We are in the process of exiting, restructuring and consolidating business units in this division, to reduce costs, complexity and right-size the business for a tougher economic environment, exacerbated by COVID-19.

African Regions

The African Regions division is mainly engaged in healthcare and consumer goods sales and distribution, with close to 100% of our revenue in this division generated from these two industries.

Most of our countries of operation are in lockdown or partial lockdown. While we are still able to service various channels in most markets in our consumer business, demand has reduced due to lower activity, mainly in markets where sales of liquor and tobacco were negatively impacted due to trading restrictions. As a result of reduced volumes, margins are under pressure. In our healthcare business, a strong order book from Imres (medical supplies and kitting business) is positive, although the supply and the delivery of products from India remain a concern. We have in excess of c.120 days paid-up stock in Nigeria, which positions us well to deal with the currency risks in the country. This division is benefitting from new acquisitions and new contract gains. As such, African Regions increased revenue but reduced operating profit for the 9 months.

International

In the International division, all businesses experienced a significant reduction in volumes and activities since March due to COVID-19 restrictions.

The automotive contract logistics and related transport businesses were most impacted as all OEMs implemented plant shutdowns in March and April (c. 36% of revenue in this division is generated from the automotive industry). Volumes in our chemicals and related shipping businesses were less impacted (c.31% of revenue in this division is generated from the chemical industry). Other businesses within this division also remained operational but recorded declining volumes. As many countries in Europe are now easing lockdown restrictions and OEMs in Germany are slowly returning to production, we have seen an increase in revenue from the peak of the lockdown in March. Revenue is currently up to c.70% of normalised levels.

The International division has been most impacted by the pandemic and its recovery is very much dependent on the duration of the crisis and time taken to restore the broken supply chains - in addition to an already low-growth macro-environment and industries under pressure.

FINANCIAL POSITION

We remain focused on safeguarding and preserving our balance sheet, especially in these uncertain times. As such, managing our debt levels by curbing capex, optimising working capital and generating operating cashflows

to ensure that we remain within our bank covenants levels; maintaining liquidity; and preserving cashflows are key priorities.

Proactive measures have been implemented to reduce fixed overhead costs. Our South Africa and International businesses are likely to further reduce overhead costs through further portfolio rationalisation and consolidation, and restructuring in the upcoming months. A moratorium on all capex spend is in place, with only essential capex permitted.

Post the conclusion of the European shipping disposal, which is subject to regulatory and shareholder approvals, proceeds will be used to optimise the financial position of Imperial - reducing the Company's existing debt upon closing and providing capacity to pursue its strategic objective of investing in new areas that enhance its African growth vision in the future.

On receipt of these proceeds, which are anticipated by 30 June 2020, Imperial's net debt:EBITDA will remain below 2.5x (subject to currency fluctuations). This will result in us having sufficient headroom against our maximum net debt:EBITDA covenant of 3.25x, which provides us with balance sheet resilience to deal with a tough macro environment, exacerbated by COVID-19. Our cash and liquidity position remains strong with c.R10bn of available facilities and cash, of which c.R8bn are committed banking facilities.

We will progress the sale of the South American shipping business separately, which we hope to conclude within 12 months.

We continue to explore growth opportunities in other emerging and selected developed markets based on the relevance of capabilities, scale, benefits and client relationships that support trade flows into and out of Africa, including the potential expansion into international freight management. However, given the current macro-economic uncertainty, we will be cautious in investing in new acquisitions in the current calendar year.

PLAYING OUR PART DURING COVID-19

Imperial plays a critical role in the supply of essential services and products in the many countries in which it operates. As a business our focus during the crisis is first and foremost to protect our people and operations from infection through ensuring stringent safety and protective measures; to continue to ensure that we keep the wheels turning in our essential services businesses so that people can receive medication, food and other essential needs through minimising the impact on supply chains; and to extend a helping hand to governments and communities in this critical time of need.

We continue to support all our key stakeholders and countries of operation. Some of these initiatives include:

- Providing support to staff and prioritising their safety
- We continue to achieve high service levels with key customers and clients and in certain cases we have put in additional capacity so that our clients can meet increased demand
- We continue to service our market access channels where possible
- Imperial's Non-Executive Directors reduced their fees from April until the end of June 2020 by 25%
- Imperial's Group Executive Committee has been taking up to a 25% cut in their salaries from April until the end of June 2020
- R5 million was contributed to the Solidarity Fund in South Africa
- R5 million was contributed to the Giving for Hope Foundation
- R500,000 was contributed to the Gift of the Givers humanitarian organisation, in addition to the humanitarian assistance and

operational support provided by the business to various charitable organisations

- Sourcing and delivery of Personal Protective Equipment (PPE) and sanitiser has been a particular area of need. Imperial has sourced and delivered 1000s of cubic meters of PPE and medical-grade hand sanitisers to public and private sectors in South Africa and Europe
- Imperial is partnering with charity organisations, providing vehicles and resources to deliver food parcels and other basic needs to communities most impacted by the crisis

PROGRESS AGAINST STRATEGY

The decisive strategic actions that we undertook as a business over the last 15 months have stood us in good stead as we now navigate these uncertain times. The tough decisions we made as a business such as removing c. R385 million p.a. of fixed overhead costs, the closure of the Consumer Packaged Goods business in South Africa, and progressing the disposal of the European shipping business within our expected timelines, are contributing positively to Imperial's performance and resilience during these unprecedented times.

Despite COVID-19 related restrictions, our business remains focused on strategic delivery. While the virus has added complexities to our day-to-day operations, we are not deviating from our strategic journey of transforming Imperial from a portfolio of regional businesses to an integrated end-to-end market access and logistics business - with the strategic intent of becoming 'One Imperial' and a 'Gateway to Africa'.

Our focus remains on delivering the best from our current operations by making them lean, servicing our clients profitably, executing flawlessly and growing organically, while still executing on our strategy - which is summarised in 6 strategic pillars:

1. Operating as 'One Imperial', offering unique end-to-end solutions
2. People are our greatest asset
3. Extending our African footprint - serving as a 'Gateway to Africa'
4. Leveraging our International footprint and expertise to complement our end-to-end service into Africa
5. Go digital, be digital, enable digital
6. Integrating environmental, social and governance practices

Significant progress against our stated strategic imperatives has been recorded, which will be shared in more detail in the Investor Day presentation.

TRADING STATEMENT AND OUTLOOK

This is a difficult and demanding time for us as the COVID-19 pandemic continues to spread. Many of our markets are facing increasing uncertainty and volatility, being in various levels of lockdown and restrictions. We therefore anticipate the impact of the COVID-19 pandemic to significantly impact our operations and performance in the short term.

Accordingly, shareholders are advised that there is a reasonable degree of certainty that the Company's anticipated Basic Earnings per Share (EPS) for the group in total for the financial year to 30 June 2020 is expected to decrease by more than 20% compared to the 2019 financial year. Basic Headline Earnings per Share (HEPS) for the group in total and for its continuing operations (excluding the European shipping business) for the financial year to 30 June 2020 are expected to decrease by more than 20% compared to the 2019 financial year. Restated for the disposal of the European Shipping operation as a discontinued operation, total Basic EPS and HEPS for the 2019 financial year were 1 773 cps and 660 cps respectively, and continuing EPS

and HEPS were (111) cps and 454 cps respectively. A further trading statement will be issued to provide specific guidance once there is increased certainty regarding the extent of the decline and the relevant HEPS and EPS ranges.

Furthermore, management anticipates at this stage that revenue for continuing operations (excluding the European shipping business) for the financial year 2020 will be maintained, and operating profit will decline by more than 20% compared to financial year 2019. This is due to the negative impact of COVID-19 on our trading and associated once-off costs to reduce fixed overheads, further portfolio rationalisation and consolidation, and restructuring in the upcoming months. The benefits of these will be realised from F2021.

While we will continue to meet the demands and manage the implications of the pandemic in the short-term, we will ensure that significant time and energy is given to delivering against our strategy - to build a resilient and sustainable business with a purpose, well into the future.

Finally, we thank our shareholders and funders for their ongoing support and patience as we continue to navigate the current crisis and execute on our urgent strategic deliverables to unlock and deliver value for all our stakeholders.

Any forecast and restated financial information herein have not been reviewed or reported on by Imperial's auditors. The forward looking information contained in this announcement contains the views and forecasts of management at the time of publication.

Bedfordview

2 June 2020

Sponsor: Merrill Lynch South Africa (Pty) Limited